

COFFEY COUNTY FIRE DISTRICT NO. 1

December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Coffey County Fire District No. 1
Burlington, Kansas

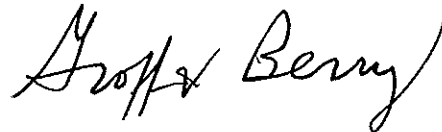
We have audited the accompanying financial statements of Coffey County Fire District No. 1, Burlington, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of Coffey County Fire District No. 1, Burlington, Kansas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the Fire District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Fire District as of December 31, 2011, or the changes in its financial position for the year then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Fire District as of December 31, 2011, and its cash receipts and expenditures, and budgetary comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 2. The schedules of supplementary information listed in the table of contents have been subjected to the auditing procedures applied in the audit of the financial statements referred to above and, in our opinion, such supplementary information is fairly stated in all material respects in relation to the financial statements taken as a whole.

A handwritten signature in cursive script, reading "Groff Berry". The signature is written in dark ink and is positioned in the center-right of the page.

October 26, 2012

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, Kansas

SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the Year Ended December 31, 2011

Fund	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add:		Ending Cash Balance
					Outstanding Encumbrances and Accounts Payable		
General fund	\$ 292,586	\$ 784,447	\$ 754,476	\$ 322,557	\$ 31,665	\$	\$ 354,222
Special revenue fund:							
Capital outlay	<u>577,493</u>	<u>162,721</u>	<u>-</u>	<u>740,214</u>	<u>-</u>		<u>740,214</u>
	<u>\$ 870,079</u>	<u>\$ 947,168</u>	<u>\$ 754,476</u>	<u>\$ 1,062,771</u>	<u>\$ 31,665</u>		<u>\$ 1,094,436</u>

Composition of cash:

First National Bank of Kansas,

Burlington, Kansas:

Checking account

Less: outstanding warrants

Money market account

Money market account

\$	22,000	
	<u>34,332</u>	\$ (12,332)
		64,127
		848,675

The Farmers State Bank,

Aliceville, Kansas:

Certificates of deposit

193,866

Petty cash

100

Total composition of cash

\$ 1,094,436

See accompanying notes to financial statements.

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, Kansas

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
(BUDGETED FUNDS ONLY)
For the Year Ended December 31, 2011

<u>Fund</u>	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
General fund	\$ <u>815,830</u>	\$ <u>754,476</u>	\$ <u>61,354</u>

See accompanying notes to financial statements.

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, Kansas

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	Prior Year Actual	Current Year		Variance - Favorable - (Unfavorable)
	Actual	Actual	Budget	
<u>General Fund</u>				
Cash receipts:				
Appropriation from Coffey County	\$ 780,830	\$ 780,830	\$ 780,830	\$ -
Interest on idle funds	4,751	3,617	-	3,617
Sale of property	-	-	-	-
Reimbursed expense	-	-	-	-
Miscellaneous	-	-	-	-
Total cash receipts	<u>785,581</u>	<u>784,447</u>	<u>\$ 780,830</u>	<u>\$ 3,617</u>
Expenditures and transfers:				
Personal services	125,797	104,292	\$ 98,200	\$ (6,092)
Contractual services	294,894	324,708	394,980	70,272
Commodities	134,314	91,622	182,380	90,758
Capital outlay	85,614	71,133	140,270	69,137
Transfer to capital outlay	<u>122,680</u>	<u>162,721</u>	<u>-</u>	<u>(162,721)</u>
Total expenditures and transfers	<u>763,299</u>	<u>754,476</u>	<u>\$ 815,830</u>	<u>\$ 61,354</u>
Receipts over (under) expenditures and transfers	22,282	29,971		
Unencumbered cash, January 1	<u>270,304</u>	<u>292,586</u>		
Unencumbered cash, December 31	<u>\$ 292,586</u>	<u>\$ 322,557</u>		

See accompanying notes to financial statements.

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, Kansas

STATEMENT OF RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2011
(With Comparative Totals for the Year Ended December 31, 2010)

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<u>Capital Outlay Fund</u>		
Transfers:		
Transfer from general fund	\$ 122,680	\$ 162,721
Expenditures:		
Capital outlay	<u>282,826</u>	<u>-</u>
Transfers over (under) expenditures	(160,146)	162,721
Unencumbered cash, January 1	<u>737,639</u>	<u>577,493</u>
Unencumbered cash, December 31	\$ <u>577,493</u>	\$ <u>740,214</u>

See accompanying notes to financial statements.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

1 - Reporting Entity

Coffey County Fire District No. 1, Coffey County, Kansas, was organized by resolution of the Coffey County Commissioners on May 30, 1989, in accordance with K.S.A. 19-3605, et seq. The District shall consist of all of Coffey County excepting that part lying within Lyon County Fire District No. 5, but including specifically all cities within the County.

The District is governed by a five-member Board of Trustees appointed by the County Commissioners, who serve at the pleasure of the Commission. The District receives funding from Coffey County. These financial statements present the Coffey County Fire District No. 1 (the primary government) only since it has no component units or other entities requiring inclusion.

2 - Summary of Significant Accounting Policies

(a) Fund Description

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Fire District for the year ended December 31, 2011:

GOVERNMENTAL FUNDS:

General Fund--is used to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Fund--is used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(b) Basis of Presentation

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Fire District has approved a resolution that is in compliance with K.S.A. 75-1120a(c) waiving the requirement for application of generally accepted accounting principles and allowing the Municipality to use the statutory basis of accounting.

(c) Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses; liabilities such as deferred revenue and matured principal and interest payable; and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General Fixed Assets that account for the land, buildings and equipment owned by the Fire District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, lease purchase agreements, and compensated absences are not presented in the financial statements.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(d) Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in the local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.
3. Public hearing on or before August 15th but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for this year.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the Municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds, trust funds and the following special revenue funds: Special Rural Fire District Equipment Reserve Fund and Capital Outlay Fund.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(d) Budget and Tax Cycle (Continued)

Spending in funds which are not subject to the legal annual operating budget requirements is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

(e) Assets, Liabilities and Fund Equity

(1) Cash

To facilitate better management of the Fire District's cash resources, excess cash is combined in pooled operating accounts and certificates of deposit. Each fund's portion of total cash is based on its equity in the pooled cash account and certificates of deposit. Cash in excess of current operating needs is invested in a pooled investment or certificates of deposit basis, and earnings thereon are credited to the general fund, as provided by Kansas statutes.

(2) Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by State statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

(3) Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

(f) Revenues and Expenditures

(1) Property Tax Revenue Recognition

Property taxes become a lien against all property November 1st. Taxpayers have the option of paying in full or in two installments. The delinquency dates are December 20th and May 10th. Delinquent taxes are assessed interest at 12% per annum. This interest is retained by the County.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - Summary of Significant Accounting Policies (Continued)

(f) Revenues and Expenditures (Continued)

(1) Property Tax Revenue Recognition (Continued)

Taxes levied to finance the budget are made available to the Fire District after January 1st and are distributed by the County Treasurer approximately every month and a half. At least 50% of the taxes levied are available in January.

(2) Vacation and Sick Pay

The Fire District's sick leave policy allows a specified number of sick days per month, with no maximum accumulation. Unused sick leave is not paid upon employment termination. The District's vacation policy allows a specified number of days vacation time per year, based on length of service. Vacation days must be used in the period earned. Unused vacation time is paid upon employment termination.

(3) Interfund Transactions

Quasi-external transactions are accounted for as revenue, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

3 - Stewardship, Compliance and Accountability

(a) Compliance with Kansas Cash Basis Law

No violations.

(b) Compliance with Kansas Budget Law

No violations.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Stewardship, Compliance and Accountability (Continued)

(c) Compliance with Kansas Depository Security Law

No violations.

4 - Detail Notes on All Funds and Account Groups

(a) Assets

(1) Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the Government's funds have a main or branch bank in the county in which the Government is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Government's investment of idle funds to time deposits, open accounts and certificates of deposit with allowable financial institutions; U.S. Government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Government has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank of Topeka. All deposits were legally secured at December 31, 2011.

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
(Continued)

4 - Detail Notes on All Funds and Account Groups (Continued)

(a) Assets (Continued)

(1) Deposits and Investments (Continued)

At December 31, 2011, the Government's carrying amount of deposits was \$ 1,094,336 and the bank balance was \$ 1,128,669. The bank balance was held by two banks resulting in a concentration of credit risk of the bank balance; \$ 465,866 was covered by federal deposit insurance and \$ 662,803 was collateralized with securities held by the pledging bank's agents on a custody receipt naming the Government.

(2) General Fixed Assets

The Fire District has not maintained a record of fixed assets used in performance of general governmental operations as required by generally accepted accounting principles.

5 - Retirement Plan

The District adopted a Simple IRA Plan (Savings Incentive Match Plan for Employees) effective January 1, 2000, for any employee who has received at least \$ 5,000 in compensation from the employer in any one year and been an employee for one year. The District and employee each contribute 3%. The plan was suspended as of December 31, 2010.

The District adopted a resolution on November 15, 2010 to become a participating employer for the inclusion of all its eligible employees under The Kansas Public Employees Retirement System effective January 1, 2011.

6 - Defined Benefit Pension Plan

(a) Plan description. The non-school municipality participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100, Topeka, KS 66603-3803) or by calling 1-800-228-0366.

(b) Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4%/6% of covered salary. The employer collects and remits member-employee contributions according to the provisions

COFFEY COUNTY FIRE DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - Defined Benefit Pension Plan (Continued)

- (b) Funding Policy (Continued) of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established by statute for calendar year 2011 is 6%. The non-school municipality employer contributions to KPERS for the year ending December 31, 2011 was \$ 4,486, equal to the statutory required contribution for each year.

7 - Economic Dependency

The Wolf Creek Nuclear Power Plant resides within the boundaries of Coffey County Fire District No. 1. This power plant is run by a joint venture of several utility companies. The valuation of the power plant accounts for in excess of 90% of the County's total assessed valuation.

8 - Operating Transfers

The District made the following operating transfers during 2011. The transfers were approved by the Board of Trustees.

	<u>From</u>	<u>To</u>
General Fund	\$ 162,721	\$ -
Capital Outlay Fund	-	162,721

SUPPLEMENTARY INFORMATION

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, Kansas

SCHEDULE OF INSURANCE POLICIES IN FORCE
December 31, 2011

<u>Company Name</u>	<u>Coverage</u>
Continental Western Insurance Company:	
Building and property coverage:	
Building and contents (\$ 500 deductible)	\$ 969,200
Outdoor property limit (\$ 500 deductible)	27,200
General liability coverage:	
General aggregate limit	5,000,000
Products/completed operations aggregate limit	5,000,000
Personal and/or advertising injury limit	1,000,000
Each occurrence limit	1,000,000
Fire damage limit (any one fire)	500,000
Medical expense limit (any one person)	10,000
Employment practices occurrence	1,000,000
Employment practices aggregate (\$ 2,500 deductible)	2,000,000
Management protection liability occurrence	100,000
Management protection liability aggregate limit (\$0 deductible per claim)	500,000
Vehicle insurance:	
Combined single limit coverage	500,000
Uninsured/underinsured motorists	500,000
Comprehensive (\$ 250 deductible)	A.C.V.
Collision (\$ 500 deductible)	A.C.V.
Towings and labor, each disablement	1,000
Inland Marine Policy (\$ 250 deductible):	
Miscellaneous property (N.O.C.)	37,000
Worker's compensation and employer's liability:	
Bodily injury by accident - each accident	100,000
Bodily injury by disease - each employee	100,000
Bodily injury by disease - policy limit	500,000
Worker's compensation	Statutory

See accompanying independent auditor's report.

COFFEY COUNTY FIRE DISTRICT NO. 1
Burlington, KansasSCHEDULE OF FIDELITY BONDS
December 31, 2011

<u>Company Name</u>	<u>Coverage</u>
Cincinnati Insurance Companies: Public employee blanket bond covering all employees (\$ 1,000 deductible)	\$ 25,000
Continental Western Insurance Company: Treasurer	25,000

See accompanying independent auditor's report.